



Natural Resources Conservation Service
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Des Moines, IA 50309-2180

July 3, 2002

IOWA BULLETIN NO. IA180-2-14

SUBJECT: CPA – ENVIRONMENTAL QUALITY INCENTIVES PROGRAM AND
IMPLEMENTATION OF THE FARM BILL

PURPOSE. To provide staff instruction for the Environmental Quality Incentives Program (EQIP) for the remainder of fiscal year (FY) 2002.

EXPIRATION DATE. September 30, 2003

Two recent events have caused a need for significant change in how EQIP is administered for the remainder of FY2002. One event was the 2002 Farm Bill, and the other was a recent streamlining and simplification announcement by Secretary Veneman.

The most significant items related to the Farm Bill are:

1. EQIP is a program which addresses the voluntary implementation (Step 8) – not the development (Steps 1-7) or evaluation (Step 9) steps -- of the conservation planning process. However, clients are expected to have conservation plans which result in EQIP contracts to implement to practices.
2. The purpose of EQIP is to promote agricultural production and environmental quality as compatible goals and to optimize environmental benefits (replaces the phrase “maximize environmental benefits per dollar expended”) in addressing national resource priorities by:
 - Assisting producers to voluntarily comply with regulatory requirements concerning soil, water, air, wildlife, surface and ground water conservation.
 - Avoiding the need for further resource and regulatory programs.
 - Providing flexible assistance to producers to install and maintain conservation practices that enhance soil, water, related natural resources (including grazing land and wetland), and wildlife while sustaining production.
 - Assisting producers to make beneficial, cost effective changes to cropping systems, grazing management, nutrient management associated with livestock, pest or irrigation management, or other practices on agricultural land.
 - Consolidating and streamlining conservation planning and regulatory compliance.

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3. Priority is to be given to applications that encourage the use of the most cost-effective practices that address the above national conservation priorities and optimize environmental benefits.
4. The Secretary can accord greater significance on incentive payments for promoting residue, nutrient, pest, invasive species, and air quality management.
5. The Legislative requirement for conservation priority areas has been removed.
6. Allows cost-share rates up to 75 percent with 90 percent for limited resource or beginning farmers. Remember, however, that once the contract is approved, that is the amount of funds available for each practice.
7. No annual dollar limit and no restriction on first year payment. Payments can be made when earned.
8. Minimum contract length – one year after last practice implemented. Maximum contract length is ten years. Contract ending date will be established by the landowner and NRCS representatives based on the above parameters.
9. No buy down (do not divide by cost, no non cost-shared practices will be allowed in ranking process or be included in the contract).
10. Payment limitation set at \$450,000 per individual or entirety for all FY2002-FY2007 EQIP participants regardless of number of contracts. The Farm Bill applies the concept of attribution to EQIP where all funds paid out are attributed to an individual.
11. Requires 60 percent of the funds nationally to be spent on livestock related practices (was 50 percent).
12. Removes the 1,000 animal unit limit on for animal waste storage structures.
13. Requires a Comprehensive Nutrient Management Plan (CNMP) (plan and installation) if receiving assistance from EQIP for an animal waste management system.
14. Starting in FY2003, no payments to any individual or entity whose average adjusted gross income (AGI) for previous three years exceeds \$2.5 million. This provision does not apply if 75 percent of AGI is derived from agricultural activities.

Changes to EQIP implementation triggered by the Secretary's announcement are:

- NRCS administers EQIP with FSA consultation at the National level only.
- Program responsibilities previously performed by county FSA committees shall now be performed by NRCS. Those include, but are not limited to:
 - i) selecting applications for contract development,
 - ii) approving contracts and contract modifications,
 - iii) determining violations of contract terms, and
 - iv) determining to terminate contracts, including whether to waive refunds, and liquidated damages, if applicable.

- The FSA will continue to perform certain administrative services for EQIP under reimbursable agreement.
- The COC members and CED's remain members of the Local Work Group.
- A member of the State Committee and SED or designee remain members of the State Technical Committee.

The guidance along with the attached questions and answers is provided to enable the continued implementation of EQIP in the interim until the rule is published. This guidance is necessary to enable staff to continue accepting EQIP applications, developing conservation plans, and preparing to approve contracts in a timely manner so that the \$400 million authorized nationally for FY2002 EQIP contracts can be obligated no later than September 30, 2002.

This guidance is interim and, for new FY2002 contracts, supercedes the relevant sections in the current EQIP manual. Files this bulletin and the attached question and answers with the EQIP manual. The EQIP manual is being revised to reflect these changes. These interim instructions will be used until the rule is published and the manual is finalized. The rule for EQIP must be published by August 12, 2002.

Iowa could receive an additional \$4-\$7 million for FY2002 which must be obligated in contracts by the end of the third week of September. The FY2003 could likely be twice the FY2002 amount or more. We may not receive the FY2002 funding until mid to late August. Due to this short time frame, the State Technical Committee recently made a number of recommendations for EQIP 2002. Likely some of these will change in FY2003. However, for FY2002, I have adopted the following:

1. Anyone canceling a previous EQIP Contract is not eligible for an EQIP contract for the same practice to treat the same resource problem.
2. The maximum practice cost-share rate is 75 percent or 90 percent for beginning or limited resource farmers. The practice list for cost-share and incentive payments is attached.
3. There will be no county funding allocation or allocation for priority areas. However, the area from which applications are submitted can be controlled locally in large part by where planning has been completed. There will likely be ample funds for contracts. Even if the FY2002 funding falls short, FY2003 is not far away.
4. Proceed now to take sign-up (CCC-1200). A new ranking sheet is attached. Staff should use existing conservation plans to rank applicants. Initially, those above a threshold of 45 are tentatively approved (subject to a review of initial results).
5. As rankings are completed, provide the worksheet to Larry Beeler for all applicants. For at least those above the threshold, complete the contracting process to the point of NRCS signature. Contracts should be developed for the EQIP funded practices and signed by the applicants and SWCD board, but not by the DC until a later date (see Point 6). We cannot complete contracts with the additional funding until our allocation is released by OMB. NRCS **CANNOT** sign contracts until Larry notifies you that the contract has been funded.

6. Once Larry notifies you that the contract is funded, the DC is to sign the contract, provide the application (CCC-1200), CPO for cost-share and/or incentive payments through EQIP, and a signed contract document (CCC-1200) to Larry.

This is an extremely opportune time for our clients and for positive care for Iowa natural resources. For some time now, I have been urging completion of conservation plans so our clients could be ready. The time for the fruit of our labor is here. Use those plans to develop contracts for the practices to be cost-shared through EQIP.

As you develop contracts, don't schedule every practice for the first year. Think about the application workload, and encourage clients to "stagger" the application schedule to apply practices for the resource treatment system in a logically sequence.

Most important to remember in this Farm Bill implementation effort is to that we are providing this assistance as conservationists. As you develop contracts and dream about how much better the land will look after contract implementation, let's make sure that we are proud of the work completed for the dollars that were expended on the project.

/s/Dennis J. Pate, Acting
Leroy Brown
State Conservationist

Attachments